

# **Companion Animal Alliance**

Baton Rouge, Louisiana

*Financial Statements  
and Supplementary Information*

Year Ended December 31, 2012

**William D. Mercer, CPA**

A PROFESSIONAL ACCOUNTING CORPORATION

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WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING  
CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Companion Animal Alliance  
Baton Rouge, Louisiana

**Report on the Financial Statements**

I have audited the accompanying financial statements of Companion Animal Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Companion Animal Alliance as of December 31, 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Companion Animal Alliance's basic financial statements. The schedule of functional expenses on page 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of functional expenses on page 22 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of functional expenses on page 22 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 28, 2013 on my consideration of Companion Animal Alliance's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Companion Animal Alliance's internal control over financial reporting and compliance.

Baton Rouge, Louisiana  
June 28, 2013

WILLIAM J. MERCER, CPA (BREC)

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

December 31, 2012

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ASSETS

CURRENT:

Cash and cash equivalents	\$ 56,384
Prepaid expenses	<u>15,818</u>
Total Current Assets	<u>72,202</u>

PROPERTY AND EQUIPMENT:

Building improvements	9,214
Equipment and furniture	<u>51,772</u>
	60,986
Less accumulated depreciation	<u>27,821</u>
Net Property and Equipment	<u>33,165</u>

TOTAL ASSETS \$ 105,367

The accompanying notes are an integral part of these financial statements.

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LIABILITIES

CURRENT:

Accounts payable and accrued expenses \$ 51,879

TOTAL LIABILITIES (all current) 51,879

NET ASSETS

Permanently restricted -  
Temporarily restricted 132,351  
Unrestricted ( 78,863)

TOTAL NET ASSETS 53,488

TOTAL LIABILITIES AND NET ASSETS \$ 105,367

The accompanying notes are an integral part of these financial statements.

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
REVENUES:		
Contributed support	\$ 566,989	\$ 37,442
Earned revenues:		
Governmental contracts and fees	459,970	-
Adoption and other revenues	176,563	-
Investment income	436	37
Net assets released from restrictions	<u>10,344</u>	<u>( 10,344)</u>
Total Revenues	<u>1,214,302</u>	<u>27,135</u>
EXPENSES:		
Program services	983,199	-
Supporting services:		
Management services	266,561	-
Fundraising	<u>73,355</u>	<u>-</u>
Total Expenses	<u>1,323,115</u>	<u>-</u>
Change in net assets	( 108,813)	27,135
NET ASSETS, beginning of year	<u>29,950</u>	<u>105,216</u>
NET ASSETS, end of year	\$( <u>78,863</u> )	\$ <u>132,351</u>

The accompanying notes are an integral part of these financial statements.

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers, donors and government agencies	\$ 1,087,295
Interest and dividends received	473
Cash paid to suppliers and employees	( 1,161,459)
Net cash used by operating activities	( 73,691)

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for purchase of property and equipment	( 9,214)
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NET DECREASE IN CASH	( 82,905)
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CASH AND CASH EQUIVALENTS, beginning of year	<u>139,289</u>
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CASH AND CASH EQUIVALENTS, end of year	\$ <u><u>56,384</u></u>
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The accompanying notes are an integral part of these financial statements.



COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Companion Animal Alliance (the Organization) is a nonprofit organization committed to reducing the number of animals entering the animal shelter, treating animals humanely while they are in the shelter's care, and to finding homes for animals, returning lost animals to their families while finding foster care and permanent homes for other dogs and cats.

Method of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

Net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as net assets released from restrictions.

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Organization regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Significant estimates included in or affecting the presentation of the accompanying financial statements include estimated useful lives of property and equipment.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and equipment

All property and equipment is stated at cost. Expenditures for maintenance, repairs, and minor renewals are expensed as incurred. Major expenditures for renewals and betterments are capitalized.

As a general rule, when items are retired or otherwise disposed, accumulated depreciation is reduced by the accumulated amount of depreciation applicable thereto. Any gain or loss from such retirement or disposal is credited or charged to income in the year of the disposal.

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and amortization

Depreciation is computed on the straight-line method over the estimated useful lives of the various classes of depreciable assets, ranging from five to seven years.

The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The Organization periodically reviews these lives relative to physical factors, economic factors, and industry trends. If there are changes in the planned use of property and equipment or if technological changes occur more rapidly than anticipated, the useful lives assigned to those assets may be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods.

Revenue recognition

The Organization reports contributions as restricted support if they are received with donor or grantor restrictions that limit the use of the contributions. When a restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use and recorded as such, unless specifically restricted by the donor.

Revenues from government agency contracts and fees are recognized in the period in which the Organization provides the service.

Advertising

The Organization expenses the production costs of advertising the first time the advertising takes place, except for direct response advertising, which is capitalized and amortized over its expected period of future benefits. As of December 31, 2012, the Organization had no advertising classified as assets, and all advertising was expensed as incurred.

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes. Accordingly, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

The Organization's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Functional allocation of expenses

The costs of providing programs have been summarized on functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Subsequent events

In preparing the accompanying financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 28, 2013, the date the financial statements were available to be issued.

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

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NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2012, were as follows:

Cash on hand	\$ -
Cash in bank – checking / savings	793
Cash in bank – money market	<u>55,591</u>
	<u>\$ 56,384</u>

As of December 31, 2012, the Organization's money market funds were being held by Baton Rouge Area Foundation, a non-profit organization located in Baton Rouge, Louisiana, who allows nonprofit organizations to set up funds for their own benefit. Baton Rouge Area Foundation serves as an agent on behalf of the nonprofit organization.

NOTE C – LEASE COMMITMENTS

The Company utilizes office and shelter facilities provided to it under a cooperative endeavor agreement with the City of Baton Rouge/Parish of East Baton Rouge.. This agreement does not require any payment of rent or utilities, which are borne by the City/Parish. The estimated fair value of the occupancy expense under this agreement was \$ 93,669 for the year ended December 31, 2012. This amount of donated facility costs is included as a component of unrestricted revenues and expenses in the accompanying financial statements.

NOTE D – CONTRIBUTED SUPPORT

The Organization utilizes certain accounting and other professional services provided by Baton Rouge Area Foundation. The value of these services for the year ended December 31, 2012, was estimated at \$60,000, which is included as a component of unrestricted revenues and expenses in the accompanying financial statements.

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

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NOTE E – SUPPLEMENTARY CASH FLOW INFORMATION

Cash payments for interest and income taxes for the year ended December 31, 2012, were as follows:

Interest	\$ <u>          -          </u>
Income taxes	\$ <u>          -          </u>

Noncash investing and financing activities for the year ended December 31, 2012, are as follows:

Use of City/Parish shelter facilities and related utility costs	\$           93,669
Utilization of Baton Rouge Area Foundation accounting and professional services	\$           60,000

A reconciliation of changes in net assets to net cash provided by operating activities for the year ended December 31, 2012, is as follows:

Change in net assets	\$(       81,678)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	18,701
Increase in prepaid expenses	(       859)
Decrease in accounts payable and accrued expenses	(      9,855)
Net cash used by operating activities	\$( <u>     73,691     </u> )

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

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NOTE F – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012, the Organization received donations totaling \$ 150,544 from related parties, including donor advised funds. Such donations are included in the accompanying financial statements as a component of contributed support.

As of December 31, 2012, the Organization had no receivables from or liabilities to related parties. Additionally, the Organization recognized no other revenues or expenses to or from related parties for the year ended December 31, 2012.

NOTE G – SIGNIFICANT CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and contract revenues.

The Organization maintains its cash account in a checking account at a commercial bank located in Louisiana. Accounts at this bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts on deposit at various times throughout the year may exceed the federally insured limit. As of December 31, 2012, the Organization had no uninsured cash balances. Additionally, the Organization's funds held in money market accounts totaling \$ 55,591 at December 31, 2012, are held by Baton Rouge Area Foundation.

The Organization receives a significant portion of its support under a cooperative endeavor agreement with the City of Baton Rouge/Parish of East Baton Rouge. A reduction in the amount of support and revenue provided under this agreement, should this occur, could have a significant impact on the Organization's ability to carry out its activities and support services at current levels.

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

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NOTE H – SUBSEQUENT EVENTS

In June 2013, a lawsuit was filed against the Organization by a former veterinarian employee, alleging termination in violation of Louisiana's Whistleblower Protection Act, for allegedly opposing illegal conditions at the shelter, liability for penalty wages pursuant to Louisiana's Wage Payment statutes, and intentionally inflicted emotional distress. In connection with these claims, the plaintiff seeks damages, penalty wages, costs, attorney's fees, and legal interest. The Organization believes the plaintiff's claims are unfounded and plans to vigorously defend against those claims. As of the issuance of the accompanying financial statements, no further action has been taken, and no amount or range of potential loss could be determined.





WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING  
CORPORATION

AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Companion Animal Alliance  
Baton Rouge, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Companion Animal Alliance, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated June 28, 2013.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Companion Animal Alliance's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the effectiveness of Companion Animal Alliance's internal control. Accordingly, I do not express an opinion on the effectiveness of Companion Animal Alliance's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Companion Animal Alliance's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baton Rouge, Louisiana  
June 28, 2013

WILLIAM J. MERCER, CPA (APAC)

## SUPPLEMENTARY INFORMATION

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2012

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There were no findings or questioned costs noted for the year ended December 31, 2012, that were required to be reported under *Government Auditing Standards*.

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

AUDITOR'S COMMENTS ON AUDIT RESOLUTION MATTERS

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There were no findings or questioned costs for the prior year ended December 31, 2011, noted in the auditor's report dated June 28, 2012.

COMPANION ANIMAL ALLIANCE  
Baton Rouge, Louisiana

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	Program Services	Management Services	Fundraising
Administrative fees	\$ -	\$ 2,331	\$ -
Adoption supplies	3,811	-	-
Auto and truck expense	1,633	-	-
Cleaning	19,778	-	-
Depreciation	14,026	3,740	935
Employee benefits	26,702	7,121	1,780
Food	32,672	-	-
Insurance	18,957	5,055	1,264
Kennel supplies	77	-	-
Medical supplies	140,664	-	-
Occupancy expense	70,252	18,734	4,683
Office expense	5,149	1,373	343
Payroll expenses	519,284	138,476	34,619
Postage and delivery	79	21	5
Printing and communications	6,179	1,545	2,040
Professional services	117,025	65,366	1,341
Puppy transport	3,372	899	225
Repairs and maintenance	880	235	59
Technology	1,909	509	127
Telephone	750	200	50
Travel	-	20,956	25,884
Totals	\$ <u>983,199</u>	\$ <u>266,561</u>	\$ <u>73,355</u>

See auditor's report on supplementary information.